



CITY OF BATTLE CREEK

POLICEMEN AND FIREMEN RETIREMENT SYSTEM



ANNUAL REPORT AS OF JUNE 30, 2013

The name of the retirement system is 'City of Battle Creek Policemen and Firemen Retirement System' and often referred to as Police and Fire Pension Fund/System in other publications. Further reference within this document shall be "P&F Pension Fund."

Board of Trustees

Joseph Newman, Chair	Commission appointee	term to expire 6/30/2015
Stanley Chubinski, Vice Chair	Commission appointee	term to expire 6/30/2017
Gail Budrow-Bradstreet, Treasurer	per Public Act 345	Ex-Officio – no expiration
Capt. John Hausman, Trustee	Fire Representative	term to expire 6/30/2016
Officer Doug Bagwell, Trustee	Police Representative	term to expire 6/30/2014

Investment Fiduciaries

Comerica Bank – Custodial Bank	Earnest Partners Intermediate Duration
Harding Loevner International ADR	Lazard International Equity Select w/EM ADR
Loomis Sayles Fixed Income	Richmond Capital 1-10 Year TIPS
Robeco Boston Partners Large Cap Value	Robeco Boston Partners Small Cap Value
Wells Capital Large Cap Fundamental Growth	Westfield Capital Mid Cap Growth
World Asset Management 500 Index	

Actuary & Investment Consultant

Gabriel Roeder Smith & Company – Actuary
Plante Moran Financial Advisors – Financial/Investment Consultant

Legal Counsel

Michael VanOverbeke
VanOverbeke, Michaud and Timmony, PC

COMPARATIVE SUMMARY RESULTS of the June 30, 2011, June 30, 2012 and June 30, 2013 Actuarial Valuation Reports

The objective of the P&F Pension Fund is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year-to-year and will not have to be increased for future generations of citizens. This objective meets the requirements of Act No. 345 of the Public Acts of 1937, as amended, and the Michigan constitution.

To determine an appropriate Employer contribution level for the ensuing year and to gauge how the P&F Pension Fund's funding is meeting this fundamental objective, an independent firm of actuaries, Gabriel Roeder Smith & Company, conducts annual actuarial valuations.

These valuations are based on the P&F Pension Fund's past experience, information about current members, financial markets and assumptions concerning the future demographic and economic activity. The results of the June 30, 2012 valuation and June 30, 2013 valuation, based on the established funding objective, are summarized below:

Employer Contribution Rates As a Percentage of Active Member Payroll

Contributions to Provide Benefits	June 30, 2014	June 30, 2013	June 30, 2012
Normal Cost: Total	26.36%	26.32%	26.34%
Amortization Payment – Initial Unfunded	12.54%	11.61%	9.28%
Total Contribution Requirement	38.90%	37.93%	35.62%
Member Contribution – Average	7.80%	7.81%	7.82%
Computed Employer Rate	31.10%	30.12%	27.80%

Funded Status

	June 30, 2013	June 30, 2012	June 30, 2011
Actuarial Accrued Liability	\$149,004,999	\$145,540,951	\$140,863,694
Actuarial Value of Assets	\$117,879,023	\$115,083,128	\$115,774,764
Funded Ratio	79.1%	79.1%	82.2%

INVESTMENT PERFORMANCE

Plante Moran Financial Advisors

PORTFOLIO ACTIVITY REPORT / INVESTMENT PERFORMANCE

City of Battle Creek Police and Fire Retirement System

Accounts Combined

	12/31/2012	12/31/2010	12/31/2008
	To	To	To
	12/31/2013	12/31/2013	12/31/2013

Beginning Portfolio Value with Accrued Interest	117,327,341	112,186,381	87,449,511
Net Contributions/Withdrawals	-6,475,958	-13,386,759	-19,055,452
Realized Gains	1,599,288	4,036,078	22,562,213
Unrealized Gains	12,779,486	18,094,035	24,810,398
Interest and Dividends	2,446,603	8,001,834	14,188,334
Management Fees	-557,456	-1,717,408	-2,667,236
Portfolio Fees	-42,658	-138,505	-212,114

Portfolio Value with Accrued Interest on 12-31-13	127,076,647	127,076,647	127,076,647
=====			
Fees Paid By Client	0	0	-181,302
Total Fees	-600,114	-1,855,913	-3,060,652
Total Gain After Fees	16,225,263	28,276,034	58,500,294
Time Weighted Return	14.67%	27.20%	72.66%
Annualized Return	14.67%	8.34%	11.54%
Evaluation Benchmark	13.45%	28.71%	64.70%
Annualized Benchmark	13.45%	8.77%	10.49%
Cumulative Market Indices through 12-31-13			
Barclays Capital U.S. Aggregate Bond Index	-2.03%	10.11%	24.27%
S&P 500 Index	32.39%	56.82%	128.19%
MSCI EAFE (USD) Index	22.78%	26.55%	79.69%

SUMMARY OF CURRENT ASSET INFORMATION

Revenues & Expenses

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
Market Value – July 1*	\$ 113,297,361	\$ 115,518,718	\$101,151,350
Revenues:			
Member Contributions	\$ 1,044,533	\$ 922,117	\$ 1,030,979
Employer Contributions	\$ 4,105,429	\$ 4,159,617	\$ 4,346,195
Interest & dividends	\$ 2,442,528	\$ 2,716,406	\$ 2,776,814
Realized and Unrealized Gain (Loss)	\$ 9,072,368	\$ (116,314)	\$ 14,977,312
 Total Revenues	 \$ 16,664,858	 \$ 7,681,826	 \$ 23,131,300
Expenditures:			
Refunds of Member contributions	\$ 75,382	\$ 110,630	\$ 13,464
Retirement Benefits Paid Out	\$ 7,747,926	\$ 8,669,455	\$ 7,581,972
Administrative Expenses	\$ 132,043	\$ 142,597	\$ 162,602
Health Insurance premiums	\$ 500,000	\$ 500,000	\$ 500,000
Investment Expense	\$479,884	\$ 480,500	\$ 505,894
 Total Expenses	 \$ 8,935,235	 \$ 9,903,182	 \$ 8,763,932
 Market Value – June 30	 \$121,026,984	 \$113,297,361	 \$115,518,718

Annual Budget July 1 through June 30

REVENUE	2013/2014	2012/2013
Member Contributions	\$ 900,000	\$ 900,000
Employer Contributions	4,083,244	4,083,244
Investment Income		
Interest	2,134,850	2,134,850
Dividends	902,206	900,000
Realized Gains	1,800,700	1,800,000
Unrealized Gain	(600,000)	(600,000)
Other		
Class Action/Spinoffs	0	0
Securities Lending	14,000	14,000
Corporate Actions	0	0
Health Contribution	500,000	500,000
 TOTAL REVENUES	 \$ 9,735,000	 \$ 9,732,094

EXPENDITURES	2013/2014	2012/2013
Benefit Payments	\$ 8,600,000	\$ 8,600,000
Health Insurance	500,000	500,000
Refunds of Member Contributions	0	0
Administrative Expense:		
Counseling Fees	88,000	88,000
Investment Management Fees	480,000	480,000
Custody Fees	45,000	45,000
Audit & Actuary	18,400	16,000
Legal Fees	2,000	1,500
Memberships	100	100
Conference Expense	1,500	1,494
TOTAL EXPENSES	\$ 9,735,000	\$ 9,732,094

MEMBER and RETIREE DATA

ACTIVE MEMBERS	<u>2013</u>	<u>2012</u>	<u>2011</u>
Police:			
Lieutenants	3	3	4
Sergeants (POLC)	15	15	15
Non-Supervisory (POLC)	85	85	90
Non-Represented	4	4	4
Fire:			
Chiefs (OSP)	2	2	2
Firefighters (IAFF)	74	74	77
Non-Represented	1	1	1
RETIREES	<u>2013</u>	<u>2012</u>	<u>2011</u>
Age & Service Benefits:			
Straight Life benefit-terminates @ death	45	41	35
Straight Life benefit-60% survivor benefit	165	161	159
Option 2 benefit-50% joint & survivor	1	2	4
Survivor benefit (retiree deceased)	30	28	28
Casualty Benefits			
Duty Disability benefits	3	3	3
Non-duty Disability benefits	1	1	1
Non-duty Death benefits	3	3	3

ANNUAL BENEFITS	<u>Age & Service Retirees</u>	<u>Disability Retirees</u>	<u>Survivor Beneficiaries</u>
2013			
Number of	211	4	33
Total benefits paid	\$8,312,290	\$93,452	\$524,041
2012			
Number of	204	4	31
Total benefits paid	\$7,778,399	\$93,452	\$505,581
2011			
Number of	226	4	3
Total benefits paid	\$7,730,509	\$93,452	\$54,685

COMPUTED AND ACTUAL CITY CONTRIBUTIONS COMPARATIVE STATEMENT

Fiscal Year	Valuation Date June 30	Actual Dollar Contribution	Valuation Payroll	City's Computed % of payroll Contributions
2014/15	2013	N/A	\$11,700,630	31.10%
2013/14	2012	N/A	\$12,269,834	30.12%
2012/13	2011	\$4,105,429	\$12,609,794	32.26%

ACTUARIAL ASSUMPTIONS

Assumed Rate of Investment Return: 7% per year, compounded annually

Assumed rate of long-term wage inflation 4.5% annually

Editors note: The annual report is not complete and will be updated as the information becomes available.